

TOWN of LOS GATOS REDEVELOPMENT AGENCY

The Los Gatos Town Council activated the Los Gatos Redevelopment Agency on January 22, 1990, pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code, Section 33000 et seq.) and declared itself to constitute the Agency, by Ordinance No. 1806, adopted on December 4, 1989. The Redevelopment plan was pursued as a result of the Loma Prieta Earthquake in 1989 and the need to rebuild existing infrastructure. The Redevelopment Agency area encompasses approximately 440 acres in and around Downtown Los Gatos, which includes retail and residential areas, lodging, schools, and main traffic thoroughfares. Projects such as street and utility reconstruction, parking, streetscape and civic improvements were called out in the Plan.

BUDGET OVERVIEW

The Agency receives the majority of its funds from tax increment revenues. When the Agency was formed in 1991, the tax base for all properties within the Central Los Gatos Redevelopment Area was “frozen” to form the base year. As properties are reassessed due to sales or improvements over the Agency’s 40-year life span, the tax base grows and the Agency receives the majority of the difference in property taxes paid between the “base year” and the new level. This is called ‘tax increment financing’ and is the primary funding mechanism for redevelopment agencies throughout California. This does not result in an increase in taxes to property owners, but rather a redistribution of property taxes to the redevelopment agency to allow for reinvestment within the redevelopment project area. In FY 2001/02, it was projected that the Agency will have a revenue stream of approximately \$20 million (in present value dollars) during its 30 years of remaining life. This amount will be reduced due to the impact of continued ERAF shifts by the State as discussed below. The Agency will terminate at the end of its 40-year life span – in the year 2031.

In the 16 years since the Redevelopment Plan was adopted, a number of factors have occurred and actions taken which have facilitated Agency implementation. First of these is that the Agency’s tax increment revenue grew significantly in recent years, to a level where the Agency could finance key projects. As shown in the RDA Debt Service Fund’s Source and Use of Funds Statement, total Agency gross tax increment is estimated to grow to approximately \$7.4 million in FY 2007/08. In July, 2002, the Town issued debt in the amount of nearly \$11 million in Certificates of Participation (COP’s) for use in funding key infrastructure projects in the Downtown. The debt service on the COP’s is paid for with the Redevelopment Agency’s tax increment revenues.

Educational Revenue Augmentation Fund (ERAF)

During the State budget crisis in FY 1992/93, the State took property tax increment revenues from redevelopment agencies across the State to help balance its own budget. This revenue take-away was presented as “one-time” under the description of ‘Educational Revenue Augmentation Fund’ (ERAF), but

LOS GATOS REDEVELOPMENT AGENCY

re-occurred in subsequent years. Since the Los Gatos Redevelopment Agency was newly formed in FY 1992/93, there was little revenue at that time resulting in a very minor impact to the Agency. Over a period of three years, the Agency's ERAF take was as follows: \$209,975 in FY 2003/04; \$303,158 in FY 2004/05; and \$347,440 in FY 2005/06. The January 2007 Governor's budget does not propose any further RDA ERAF takes, which were eliminated in the FY 2006/07 State budget. The RDA remains vulnerable to future ERAF takes as Proposition 1A does not specifically protect RDA tax increment. However, many legal experts are of the opinion that RDA tax increments are already constitutionally protected and do not require Proposition 1A protection.

Administrative Operations

In years prior to the 2002 COP issuance, the Town advanced the RDA funding for administrative expenses incurred in the operation of the agency. This brought the loan balance to \$1,500,000 as of January 1, 2006. Opportunities to reduce RDA administrative costs will be evaluated for future year operations.

Of note in administrative operations is the \$7,020 increase in the Agency's Administrative Services Fee paid to the Town in the Low and Moderate Housing Program (Fund 960). Given that the Agency is entering into a period where substantial affordable housing efforts are anticipated, the increased administrative services payment will support Town staff time and materials used to undertake Agency supported affordable housing projects.

Fiscal Year 2007/08 Revenues and Expenditures

As indicated above, the Agency should receive approximately \$7.4 million in total Property Tax revenues in FY 2007/08. The following provides a summary level account of the Agency's planned expenditures for the Capital Projects Fund (930), the Debt Service Fund (950), and the Affordable Housing Fund (960). Budgeted expenditure for Fiscal Year 2007/08 will include:

- ***Pass through payments to taxing entities:*** When the Agency was created in 1991, tax-sharing agreements were negotiated with affected educational entities, the Open Space District, and Santa Clara County. These payments, based on the amount of tax increment the Agency receives, go to these entities to relieve them of any financial burden that the Redevelopment Plan may cause them. Nearly half of all Agency tax increment will be passed through to these taxing entities. Such pass-throughs help support educational activities at Los Gatos High School and the Los Gatos Union Elementary School District, and are reflected in the Debt Administration Fund. Pass through payments for FY 2007/08 is estimated to be \$2,941,640.
- ***1992 COP payments for Parking Lot #4:*** The Town issued debt for approximately \$2.5 million in 1992 to finance the construction of the parking garage known as Lot #4. Redevelopment Agency tax increment is used to pay the debt service on the COP's in an amount of approximately \$250,000 annually. The debt will be paid off in FY 2011/12.
- ***2002 COP payments for RDA Capital Projects:*** These payments are for the principal and interest on debt of approximately \$10.8 million to be used on RDA infrastructure projects in the project area. Annual debt service payments of approximately \$680,000 will continue through FY 2031/32.

LOS GATOS REDEVELOPMENT AGENCY

- ***Agency administration:*** This pays for the day-to-day operations of the Agency including staff salary and benefits, supplies and materials, and consultant assistance. Budgeted expenditures are estimated to be \$659,130.
- ***Overhead charges paid to the Town of Los Gatos:*** The Agency is a separate legal entity from the Town; however, it utilizes direct services from the Town. This expenditure reimburses the Town for such items as office space, utilities, financial and administrative support functions, and most significantly, the staff time that various members of the Town staff devote to redevelopment activities. The Agency will pay \$596,600 in overhead expenses in FY 2007/08 with \$383,030 coming from the Capital Projects Fund and \$213,570 coming from the Low/Moderate Housing Fund.
- ***Redevelopment Projects and Affordable Housing Projects:*** These are the funds spent directly, or indirectly, on projects to implement the Redevelopment Plan.
- ***Economic Vitality Program:*** This program implements the adopted economic vitality plan and includes business retention, development and retention, business outreach and recognition and tax enhancement programs for the Town. The program is partially paid for as part of the Agency administration and Low/Moderate Housing budgets.

The Los Gatos Redevelopment Agency's budget implements an aggressive work program to complete key redevelopment projects in the Downtown area, implement affordable housing projects using 20 percent set-aside funds, and for the Economic Vitality Program for the Town. Planned FY 2007/08 Capital Project carryover expenditures are described further in the following Capital Projects Fund section.

LOS GATOS REDEVELOPMENT AGENCY

REDEVELOPMENT AGENCY PROGRAM STAFFING

Full Time Equivalent (FTE)

<i>Town Staff</i>	Authorized Positions	2003/04 Funded	2004/05 Funded	2005/06 Funded	2006/07 Funded	2007/08 Funded
RDA Manager	-	1.00	1.00	-	-	-
Economic Vitality Manager	0.80	-	-	0.80	0.80	0.80
Community Development Dir.	0.10	-	-	0.10	0.10	0.10
Asst. Community Dev. Dir.	0.35	-	0.50	0.35	0.35	0.35
Associate Planner	0.20	-	-	0.20	0.20	0.20
Parking Coordinator	-	-	0.30	-	-	-
Administrative Analyst	0.20	0.20	0.20	0.20	0.20	0.20
Town Engineer	-	-	0.15	0.12	0.09	-
Associate Engineer	-	-	0.25	0.24	0.05	-
Senior Engineer Inspector	-	-	0.30	0.19	0.13	-
Engineering Inspector	-	-	0.05	0.11	-	-
Community Services Director	0.05	-	-	0.05	0.05	0.05
Total RDA FTEs	1.70	1.20	2.75	2.36	1.97	1.70
<i>Temporary Staff Hours</i>		2003/04 Funded	2004/05 Funded	2005/06 Funded	2006/07 Funded	2007/08 Funded
Project Manager		320	-	-	-	-
Total Annual Hours		320	-	-	-	-

TOWN of LOS GATOS REDEVELOPMENT AGENCY

Capital Projects Fund FUND 930

FUND PURPOSE

The Redevelopment Agency's Capital Projects Fund encompasses three core functions: Redevelopment Agency (RDA) administration, Capital Project development and implementation, and the implementation of the Economic Vitality Program. Administrative functions include all fiscal and reporting matters of the Agency in conjunction with the Finance Department. The second function, Capital Project development, includes the planning and support of proposed redevelopment projects, and the implementation of the goals and policies of the Los Gatos Redevelopment Plan. Construction project oversight is administered by the Parks and Public Works Department. The purpose of the third function, the Economic Vitality Program, is to increase revenues through business promotion and development. Its core services include business retention, development, expansion and attraction, business appreciation and recognition, and tax monitoring.

BUDGET OVERVIEW

The Capital Projects program budget includes administrative revenues and expenditure activity in addition to capital project activity. Charges incorporated into the FY 2007/08 budget include direct Town staff time for capital project engineering work, in lieu of hiring consultants to perform the work. The Agency also funds year-round Town marketing activities in support of the downtown business community.

Capital Projects currently in process are funded through the 2002 Certificates of Participation (COP's) issuance, as designated in the plan for key infrastructure improvements in the Downtown. Completed capital projects include: Town Plaza Renovations, Downtown Streetscape Improvements, Pedestrian Pathways, High School Pool contribution, Downtown Parking Improvements, and Parking Lot #5. Capital improvements are now focused on the two remaining projects for FY 2007/08: Downtown Street Reconstruction, which includes Elm Street Reconstruction, Almond Grove Reconstruction and the N. Santa Cruz Avenue Lighting project along with the continuation of the Santa Cruz Avenue/Wood Road Gateway project design.

LOS GATOS REDEVELOPMENT AGENCY
Capital Projects Fund

STATEMENT OF SOURCE AND USE OF FUNDS

	2003/04	2004/05	2005/06	2006/07	2006/07	2007/08
	Actuals	Actuals	Actuals	Adopted	Estimated	Proposed
SOURCE OF FUNDS						
Beginning Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	6,207,412	3,500,385	3,320,273	2,432,912	2,432,912	1,535,052
Total Beginning Fund Balance	6,207,412	3,500,385	3,320,273	2,432,912	2,432,912	1,535,052
Revenues						
Interest Income	93,216	69,110	85,449	50,000	39,000	50,000
Service Charges	-	-	6,676	-	-	-
Other Sources	274	4,597	3,464	-	-	-
Bond Proceeds	-	-	-	-	-	-
Total Revenues	93,489	73,707	95,589	50,000	39,000	50,000
Operating Transfers						
Operating Loan from Town	-	-	-	-	-	-
Transfers - RDA Debt Service	-	515,750	500,000	-	600,000	550,000
Total Operating Transfers	-	515,750	500,000	-	600,000	550,000
TOTAL SOURCE OF FUNDS	\$ 6,300,901	\$4,089,842	\$3,915,862	\$2,482,912	\$3,071,912	\$2,135,052
USE OF FUNDS						
Expenditures						
Salaries and Benefits	169,070	192,633	193,009	158,400	191,278	164,300
Operating Expenditures	382,979	368,351	397,817	464,340	414,560	484,130
Capital Projects - Carryfwd						254,493
Capital Projects - Current Yr	2,236,765	196,775	881,039	1,214,493	918,120	45,507
Internal Service Charges	11,703	11,810	11,085	10,300	12,902	10,700
Total Expenditures	2,800,516	769,569	1,482,950	1,847,533	1,536,860	959,130
Operating Transfers						
Transfer - RDA Debt Service	-	-	-	-	-	-
Total Operating Transfers	-	-	-	-	-	-
Ending Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	3,500,385	3,320,273	2,432,912	635,379	1,535,052	1,175,922
Total Ending Fund Balance	3,500,385	3,320,273	2,432,912	635,379	1,535,052	1,175,922
TOTAL USE OF FUNDS	\$ 6,300,901	\$4,089,842	\$3,915,862	\$2,482,912	\$3,071,912	\$2,135,052

LOS GATOS REDEVELOPMENT AGENCY
Capital Projects Fund

RDA CAPITAL PROJECTS
FY 2007/08

		Est Exp Prior To FY 2006/07	Expenditures During FY 2006/07	Estimated Carryforward	New Funding FY 2007/08	Total Budgeted
Completed Projects						
0217	Downtown Street Resurfacing	1,671,447	960,000	-	-	2,631,447
Total of Completed Projects		1,671,447	960,000	-	-	2,631,447
Carryforward Projects						
0542	Santa Cruz/Wood Gateway Design	-	-	65,000	-	65,000
Total of Carryforward Projects		-	-	65,000	-	65,000
New Projects (reallocation to projects from Downtown Street Resurfacing)						
0811	Elm Street Reconstruction	-	-	54,493	45,507	100,000
0812	Almond Grove Rehab Pilot Project	-	-	80,000	-	80,000
0820	N. Santa Cruz Lighting	-	-	55,000	-	55,000
Total of New Projects		-	-	254,493	45,507	300,000
Redevelopment Project Totals		1,671,447	960,000	65,000	-	2,996,447

FY 2007/08 KEY PROJECTS

Two capital projects will continue into FY 2007/08. These include:

RDA CAPITAL IMPROVEMENT PROJECTS

- **Downtown Street Improvements (930-0217)** – The Downtown Street Reconstruction Project will fund the Elm Street Reconstruction work from N. Santa Cruz Avenue to University Avenue (930-0811) and the Almond Grove Concrete Rehabilitation Pilot Project (930-0812) located between Glen Ridge and Wilder Avenues and between Almendra and Bean Avenues. The N. Santa Cruz lighting project (930-0820) will also be funded from this project. Funds of \$45,507 from the RDA contingency were transferred into the N. Santa Cruz lighting project for FY 2007/08.

Operating Budget Impacts - Public Works engineering staff time will be charged to this project in FY 2007/08 for project planning and management services previously performed by consultants.

- **Gateway Projects Preliminary Studies (930-0542)** – The two Gateway Projects are located at: S. Santa Cruz Avenue at Wood Road and N. Santa Cruz Avenue at Highway 9. Conceptual designs have been developed and further studies are required to evaluate scope, cost and timing of the projects.

Operating Budget Impacts – Engineering staff time for design and oversight is incorporated into the Engineering and Capital Projects FY 2007/08 budget work plan.

LOS GATOS REDEVELOPMENT AGENCY
Capital Projects Fund

KEY PROGRAM SERVICES

Redevelopment Agency Capital Projects

- Implement capital project work as identified in the Los Gatos Redevelopment Plan and Five-Year Implementation Plan
- Facilitate the development of redevelopment projects

Economic Vitality Activities

- Act as a liaison between the business community and Town Hall
- Provide business outreach and retention efforts
- Provide business recognition activities
- Provide targeted business attraction

CAPITAL PROJECTS PROGRAM STAFFING

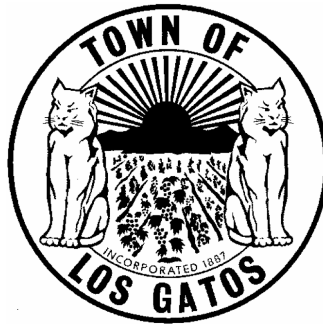
Full Time Equivalent (FTE)

<i>Town Staff</i>	Authorized Positions	2003/04 Funded	2004/05 Funded	2005/06 Funded	2006/07 Funded	2007/08 Funded
RDA Manager	-	0.80	0.80	-	-	-
Economic Vitality Manager	0.75	-	-	0.75	0.75	0.75
Asst. Community Dev. Dir.	0.15	-	0.40	0.15	0.15	0.15
Associate Planner	0.10	-	-	0.10	0.10	0.10
Parking Coordinator	-	-	0.30	-	-	-
Administrative Analyst	0.20	0.20	0.20	0.20	0.20	0.20
Town Engineer	-	-	0.15	0.12	0.09	-
Associate Engineer	-	-	0.25	0.24	0.05	-
Senior Engineer Inspector	-	-	0.30	0.19	0.13	-
Engineering Inspector	-	-	0.05	0.11	-	-
Total Capital Projects FTEs	1.20	1.00	2.45	1.86	1.47	1.20
<i>Temporary Staff Hours</i>		2003/04 Funded	2004/05 Funded	2005/06 Funded	2006/07 Funded	2007/08 Funded
Project Manager		320	-	-	-	-
Total Annual Hours		320	-	-	-	-

LOS GATOS REDEVELOPMENT AGENCY
Capital Projects Fund

Performance Objectives and Measures	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Estimated	2007/08 Budget
1. <i>Informs Redevelopment area businesses of proposed projects and works with businesses to mitigate concerns.</i>					
a. Percentage of businesses satisfied with results of downtown streetscape project:			90%	90%	93%
2. <i>The RDA Economic Vitality Program ensures efforts are being made for business attraction, retention and promotion.</i>					
a. Percentage of businesses rating business assistance provided by RDA as good or excellent:			88%	88%	89%

Activity and Workload Highlights	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Estimated	2007/08 Budget
1. Number of businesses provided with promotion assistance:		100	250	350	580
2. Number of businesses attending business outreach receptions:		5	30	50	150
3. Business attraction assistance/Number of businesses assisted				125	220
4. Commercial Brokers/Property Owner Outreach Meetings:				160	175
5. Business Retention Outreach:				50	65
6. Agency Rating (<i>Moody's June 28, 2002</i>)	Aa3	Aa3	Aa3	Aa3	Aa3



TOWN of LOS GATOS REDEVELOPMENT AGENCY

Debt Administration Fund

Fund 950

FUND PURPOSE

Under California Redevelopment Law, tax increment is restricted to the repayment of debt; therefore a redevelopment agency must have indebtedness in order to receive tax increment revenues. In response to this requirement, the Los Gatos Redevelopment Agency incurred debt for use in implementing its redevelopment plan and to receive tax increment revenue. This indebtedness was achieved by two primary means: 1) loans from the Town of Los Gatos, and; 2) the issuance of Certificates of Participation. Debt service payments for this indebtedness are made from the Debt Administration Fund.

BUDGET OVERVIEW

In adherence with Redevelopment law, the Los Gatos Redevelopment Agency incurs debt in two ways. First, it obtains loans from the Town of Los Gatos, and second, the Agency has undertaken the obligation of paying debt service on the Town's 1992 and 2002 Certificates of Participation (COPs) in return for the lease of Town property. All debts are repaid with tax increment revenue.

1992 Certificates of Participation

The Town of Los Gatos bears the obligation for the 20-year Certificates of Participation issued in the original amount of \$2,960,000, dated August 1, 1992. The Town's Motor Vehicle License Fee revenues were pledged as security for the COPs, and the guarantee was registered with the State Controllers Office.

The COPs were issued to finance certain construction costs of the Town's Parking Lot 4 Project, which was constructed on land located in the Los Gatos Central Redevelopment Project Area. The project consisted of the completion of construction of a parking facility comprised of 316 parking spaces on two levels, located on approximately 4 acres of land in the block bounded by University and Santa Cruz Avenues, and Grays Lane and Elm Street. The lot improvements were paid for from the 1992 Certificate of Participation proceeds, in conjunction with the portion paid for through the 1988 Downtown Parking Assessment District's Limited Obligation Bonds in the amount of \$1,587,986.

The COPs are similar to bond debt as they allow investors to participate in a share of guaranteed payments. Because they are similar to debt, the present value of the total of the payments to be made is recorded as long-term debt. Principal payments are due annually on August 1st, with interest payments payable semi-annually on February 1st and August 1st.

The financing structure of the COP includes two twenty-year term lease agreements dated August 1,

1992, by and between the Town of Los Gatos and the Los Gatos Redevelopment Agency. The first lease,

LOS GATOS REDEVELOPMENT AGENCY
Debt Administration Fund

with the Town as lessor and the Redevelopment Agency as lessee, agrees to lease the site to the Agency for the duration of the lease term for a one-time fee of \$10. The second lease, with the Town as lessee and the Redevelopment Agency as lessor, agrees to lease the completed parking lot site to the Town effective the date of the lease. Annual lease payments are equal to the annual debt service for the COPs. In addition, a Reimbursement Agreement dated August 1, 1992, by and between the Town and Agency, obligates the Agency to reimburse the Town in an amount equal to the annual lease payment the Town pays to the Agency for lease of the parking lot (under the second lease agreement). This reimbursement is in consideration of the Town's cost of the acquisition and the Town's funding of the construction of the parking lot project.

While the annual impact of these agreements net to zero, the lease and reimbursement payments are included in the Town's and Redevelopment Agency's budget each year to accurately reflect the terms of these agreements. The Agency remains responsible for making the principal and interest payments to US Bank (as illustrated in the following schedule).

2002 Certificates of Participation

The 2002 Certificates of Participation financing structure parallels the 1992 issue. The Town of Los Gatos bears an obligation for the 30-year Certificates of Participation issued in the original amount of \$10,725,000, dated August 1, 2002. The COPs were issued to finance infrastructure improvements in the downtown redevelopment area including plaza reconstruction, streetscape improvements, street reconstruction, storm drainage, alley improvements as well as partially funding the reconstruction of the pool at Los Gatos High School. The COPs principal payments are due annually on August 1st, with interest payments payable semi-annually on February 1st and August 1st.

The financing structure of the COP includes two lease agreements by and between the Town of Los Gatos and the Los Gatos Redevelopment Agency under agreements dated July 1, 2002. The first agreement leases five Town owned parcels, commonly known as the Miles Avenue Corporation Yard, to the Redevelopment Agency through August 1, 2031 for a one-time fee of \$1 dollar. In the second lease, the Redevelopment Agency subleases the land back to the Town, effective the date of the original lease. The annual sub-lease payments are equal to the annual debt service for the COPs.

A reimbursement agreement by and between the Town and Agency, also dated July 1, 2002, obligates the Agency to reimburse the Town in an amount equal to the annual lease payment the Town pays to the Agency for the sub-lease of the corporation yard. This reimbursement is in consideration of the Town's cost of the acquisition and construction of the yard facilities.

While the annual impact of these agreements net to zero, the lease and reimbursement payments are included in the Town's and Redevelopment Agency's budget each year to accurately reflect the terms of these agreements. The Agency remains responsible for making the principal and interest payments, as illustrated in the following schedules.

Pass-Through Agreements

Pass-through-agreement payments to taxing entities comprise the majority of the Debt Administration's operating expenditures. These payments are based on the amount of tax increment the Agency receives,

with nearly half of all Agency tax increment passed through to these taxing entities.

LOS GATOS REDEVELOPMENT AGENCY
Debt Administration Fund

STATEMENT OF SOURCE AND USE OF FUNDS

	2003/04	2004/05	2005/06	2006/07	2006/07	2007/08
	Actuals	Actuals	Actuals	Adopted	Estimated	Proposed
SOURCE OF FUNDS						
Beginning Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	3,550,572	4,144,430	4,481,846	5,414,921	5,414,921	6,952,926
Total Beginning Fund Balance	3,550,572	4,144,430	4,481,846	5,414,921	5,414,921	6,952,926
Revenues						
Property Tax	4,376,896	5,013,350	5,976,062	5,537,130	7,328,451	7,384,010
Lease Income - COPs	930,177	930,710	932,122	926,080	931,083	931,780
Interest Income	31,291	157,902	189,937	139,000	316,000	309,000
Other Sources	-	-	-	-	-	-
Total Revenues	5,338,365	6,101,962	7,098,121	6,602,210	8,575,534	8,624,790
Operating Transfers						
Transfer-RDA Debt Service	-	(515,750)	(500,000)	-	(600,000)	(550,000)
Transfer-Low/Mod Housing	(1,008,739)	(1,163,323)	(1,073,315)	(1,107,430)	(1,465,690)	(1,476,800)
Transfer-Capital Projects	-	-	-	-	-	-
Total Operating Transfers	(1,008,739)	(1,679,073)	(1,573,315)	(1,107,430)	(2,065,690)	(2,026,800)
TOTAL SOURCE OF FUNDS	\$7,880,198	\$ 8,567,319	\$10,006,652	\$10,909,701	\$11,924,765	\$13,550,916
USE OF FUNDS						
Expenditures						
Operating Expenditures	1,776,288	2,085,599	2,577,489	2,212,640	2,943,679	2,997,600
Debt - Interest Town Loan	98,425	137,500	150,000	150,000	150,000	150,000
Debt Service - 1992 COPs	251,795	252,895	248,851	253,500	248,500	249,250
Debt Service - 2002 COPs	679,083	678,770	683,269	682,580	682,580	681,530
1992 Lease Payment to Town	251,094	251,940	248,852	243,500	264,500	258,250
2002 Lease Payment to Town	679,083	678,770	683,270	682,580	682,580	681,530
Total Expenditures	3,735,768	4,085,474	4,591,731	4,224,800	4,971,839	5,018,160
Operating Transfers						
Transfer to General Fund	-	-	-	-	-	-
Total Operating Transfers	-	-	-	-	-	-
Ending Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	4,144,430	4,481,846	5,414,921	6,684,901	6,952,926	8,532,756
Total Ending Fund Balance	4,144,430	4,481,846	5,414,921	6,684,901	6,952,926	8,532,756
TOTAL USE OF FUNDS	\$7,880,198	\$ 8,567,319	\$10,006,652	\$10,909,701	\$11,924,765	\$13,550,916

LOS GATOS REDEVELOPMENT AGENCY
Debt Administration Fund

The maturity schedule for the Redevelopment Agency's current Debt Service obligation under the 1992 COP is as follows:

LOS GATOS REDEVELOPMENT AGENCY
1992 COP DEBT SERVICE

Fiscal Year	Principal Maturing August 1st	August Interest Due	February Interest Due	Total Annual Debt Service	Principal Balance
<i>Issue Date: August 1, 1992</i>					2,960,000
1992/93			92,068	92,068	2,960,000
1993/94	70,000	92,068	88,918	250,986	2,890,000
1994/95	75,000	88,918	85,543	249,461	2,815,000
1995/96	80,000	85,543	81,943	247,486	2,735,000
1996/97	90,000	81,943	77,893	249,836	2,645,000
1997/98	95,000	77,893	73,618	246,511	2,550,000
1998/99	105,000	73,618	68,893	247,511	2,445,000
1999/00	115,000	68,893	63,718	247,611	2,330,000
2000/01	125,000	63,718	58,093	246,811	2,205,000
2001/02	135,000	58,093	53,790	246,883	2,070,000
2002/03	145,000	53,790	49,948	248,738	1,925,000
2003/04	150,000	49,948	45,898	245,845	1,775,000
2004/05	160,000	45,898	41,498	247,395	1,615,000
2005/06	170,000	41,498	36,738	248,235	1,445,000
2006/07	175,000	36,738	31,750	243,488	1,270,000
2007/08	185,000	31,750	27,125	243,875	1,085,000
2008/09	195,000	27,125	22,250	244,375	890,000
2009/10	205,000	22,250	17,125	244,375	685,000
2010/11	215,000	17,125	11,750	243,875	470,000
2011/12	230,000	11,750	6,000	247,750	240,000
2012/13	240,000	6,000	-	246,000	-
TOTAL	2,960,000	1,034,558	1,034,558	5,029,116	

LOS GATOS REDEVELOPMENT AGENCY
Debt Administration Fund

The maturity schedule for the Redevelopment Agency's current Debt Service obligation under the 2002 COP is as follows:

LOS GATOS REDEVELOPMENT AGENCY
2002 COP DEBT SERVICE

Fiscal Year	Principal Maturing August 1st	Interest Due August 1st	Interest Due February 1st	Total Debt Service	Principal Balance
<i>Issue Date: August 1, 2002</i>					10,725,000
2002/03	-	-	237,164	237,164	10,725,000
2003/04	210,000	235,854	233,229	679,083	10,515,000
2004/05	215,000	233,229	230,541	678,770	10,300,000
2005/06	225,000	230,541	227,729	683,270	10,075,000
2006/07	230,000	227,729	224,854	682,583	9,845,000
2007/08	235,000	224,854	221,681	681,535	9,610,000
2008/09	240,000	221,681	218,081	679,763	9,370,000
2009/10	250,000	218,081	214,019	682,100	9,120,000
2010/11	255,000	214,019	209,556	678,575	8,865,000
2011/12	265,000	209,556	204,720	679,276	8,600,000
2012/13	275,000	204,720	199,426	679,146	8,325,000
2013/14	285,000	199,426	193,726	678,153	8,040,000
2014/15	295,000	193,726	187,679	676,405	7,745,000
2015/16	310,000	187,679	181,169	678,848	7,435,000
2016/17	320,000	181,169	174,209	675,378	7,115,000
2017/18	335,000	174,209	166,755	675,964	6,780,000
2018/19	350,000	166,755	158,793	675,548	6,430,000
2019/20	365,000	158,793	150,306	674,099	6,065,000
2020/21	385,000	150,306	141,163	676,469	5,680,000
2021/22	400,000	141,163	131,463	672,625	5,280,000
2022/23	420,000	131,463	121,225	672,688	4,860,000
2023/24	440,000	121,225	110,500	671,725	4,420,000
2024/25	465,000	110,500	98,875	674,375	3,955,000
2025/26	485,000	98,875	86,750	670,625	3,470,000
2026/27	510,000	86,750	74,000	670,750	2,960,000
2027/28	535,000	74,000	60,625	669,625	2,425,000
2028/29	565,000	60,625	46,500	672,125	1,860,000
2029/30	590,000	46,500	31,750	668,250	1,270,000
2030/31	620,000	31,750	16,250	668,000	650,000
2031/32	650,000	16,250	-	666,250	-
TOTALS:	10,725,000	4,551,426	4,552,737	19,829,163	

∞ LOS GATOS REDEVELOPMENT AGENCY ∞
Debt Administration Fund

The California Government Code Section 43605 states: "A city shall not incur an indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the city. Within the meaning of this section "indebtedness" means bonded indebtedness of the city payable from the proceeds of taxes levied upon taxable property in the city."

This schedule calculates the Town's legal debt margin by determining the 15% debt limit and comparing this limit to the Town's outstanding debt at the end of the fiscal year to determine the difference between the two. Only certain types of outstanding debt are subject to the legal debt limit, therefore while this schedule recognizes all debt, the total debt is reduced by that debt not subject to the legal debt limit, as well as amounts held in sinking funds for debt repayment.

The Town's debt structure currently includes only Certificates of Participation which are not subject to the legal debt limit, and are therefore backed out in the calculation.

LEGAL DEBT MARGIN COMPUTATION
FY 2007/08

Assessed Secured Property Valuation for FY 2006/07		\$ 6,799,798,606
Debt Limitation (15% of assessed value)		15%
Bonded Debt Limit		\$ 1,019,969,791
Outstanding Bonded Debt at 6/30/06		
1992 Certificates of Participation	\$ 1,270,000	
2002 Certificates of Participation	9,845,000	
TOTAL Outstanding Debt	\$ 11,115,000	
LESS Debt not subject to limit:		
Special Assessment Bonds	-	
Special Revenue Bonds	-	
Certificate of Participation Debt	11,115,000	
Amounts held in Sinking Funds	-	
TOTAL Debt not subject to limit:	\$ 11,115,000	
Amount of Debt Subject to Limit:	\$ -	\$ -
LEGAL DEBT MARGIN		\$ 1,019,969,791

TOWN of LOS GATOS REDEVELOPMENT AGENCY

Affordable Housing Fund

FUND 960

FUND PURPOSE

This fund provides for the implementation of the Agency's required Affordable Housing Set-Aside Program obligations. The program's core services include the administration and fiscal responsibilities for the program, and the creation of affordable housing options in cooperation with non-profit and for-profit developers.

California Community Redevelopment Law (CRL) requires that no less than 20 percent of tax increment revenue derived from a redevelopment project area be used to increase, improve, and preserve the supply of housing for very low, low, and moderate income households. If none is provided within a redevelopment project area, then the funds can be used to build twice that amount elsewhere. Possibilities include financial assistance to upgrade existing units, the construction of new housing, and improvements to public facilities and infrastructure that service low and moderate income neighborhoods.

The following are some authorized uses of housing set-aside funding:

- Acquisition of real property, buildings or structures
- New construction or rehabilitation of buildings or structures
- Onsite or offsite improvements, if such improvements are part of a program which results in the new construction or rehabilitation of affordable housing
- Donation of real property to private or public persons or entities
- Subsidies to, or for the benefit of, lower-income households to obtain housing at affordable costs in the private marketplace
- Development of plans, payment of principal, interest, financing or carrying costs on bonds, loans, advances or other indebtedness to finance low- and moderate-income housing
- Reasonable administrative expenses (including operating support for nonprofit developers of redevelopment agency-assisted housing)

In addition to the 20 percent requirement, California Community Redevelopment Law (CRL) contains inclusionary housing requirements for the Affordable Housing program:

- *For units developed by an agency* - At least 30 percent of all new or rehabilitated dwelling units developed by the Agency must be available at affordable housing cost to persons of low and moderate income. Also, not less than 50 percent of those units are to be available at affordable cost to persons of very low income.

LOS GATOS REDEVELOPMENT AGENCY
Affordable Housing Fund

- *For units developed within a redevelopment project area* - For new or rehabilitated dwelling units developed by public or private entities or persons other than an agency within a 10-year period, those units are to be available at costs affordable to persons of low or moderate income. Not less than 40 percent of these units are to be available to very low-income households.

A redevelopment agency may satisfy inclusionary requirements by purchasing or assisting in the purchase of existing housing, and deed restricting the units for long-term affordability. A redevelopment agency has this option if the units to be acquired are not presently available at affordable housing cost, or are presently available at affordable housing cost, but finds the affordability of such units in jeopardy.

Whenever low or moderate income level residential housing units are removed from the market as part of a specific project, an agency is required by law to rehabilitate or construct an equal number of replacement dwelling units within the jurisdiction of that agency, within four years of removal. Also, 75 percent of the replacement units must be affordable to the same income level (very low, low or moderate) as the persons displaced from the removed units.

BUDGET OVERVIEW

The FY 2007/08 Agency budget includes an increase in its Administrative Services payment to the Town in consideration of the additional Town staff time and resources to be utilized in supporting affordable housing projects during this fiscal year. Staff will review several affordable housing options as available funding has accumulated to a significant level.

LOS GATOS REDEVELOPMENT AGENCY
Affordable Housing Fund

STATEMENT OF SOURCE AND USE OF FUNDS

	2003/04	2004/05	2005/06	2006/07	2006/07	2007/08
	Actuals	Actuals	Actuals	Adopted	Estimated	Proposed
SOURCE OF FUNDS						
Beginning Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	2,651,933	3,356,099	4,335,193	5,111,259	5,111,259	6,337,811
Total Beginning Fund Balance	2,651,933	3,356,099	4,335,193	5,111,259	5,111,259	6,337,811
Revenues						
Interest Income	(62,657)	24,138	83,377	90,000	200,000	200,000
Total Revenues	(62,657)	24,138	83,377	90,000	200,000	200,000
Operating Transfers						
Tax Increment @ 20%	1,008,739	1,163,323	1,073,315	1,107,430	1,465,690	1,476,800
Total Operating Transfers	1,008,739	1,163,323	1,073,315	1,107,430	1,465,690	1,476,800
TOTAL SOURCE OF FUNDS	\$3,598,015	\$4,543,560	\$5,491,885	\$6,308,689	\$6,776,949	\$8,014,611
USE OF FUNDS						
Expenditures						
Salaries and Benefits	16,110	16,074	77,199	81,600	75,400	83,800
Operating Supplies	186,717	191,595	299,720	365,550	259,838	305,560
Grants	38,116	-	-	-	100,000	100,000
Internal Service Charges	973	698	3,707	3,900	3,900	4,000
Total Expenditures	241,916	208,367	380,626	451,050	439,138	493,360
Operating Transfers						
Transfer to Debt Service	-	-	-	-	-	-
Total Operating Transfers	-	-	-	-	-	-
Ending Fund Balance						
Designated	-	-	-	-	-	-
Undesignated	3,356,099	4,335,193	5,111,259	5,857,639	6,337,811	7,521,251
Total Ending Fund Balance	3,356,099	4,335,193	5,111,259	5,857,639	6,337,811	7,521,251
TOTAL USE OF FUNDS	\$3,598,015	\$4,543,560	\$5,491,885	\$6,308,689	\$6,776,949	\$8,014,611

FY 2007/08 KEY PROJECTS

Affordable Housing Opportunities – The Agency continues its work in identifying and facilitating other opportunities for the development of affordable housing.

LOS GATOS REDEVELOPMENT AGENCY
Affordable Housing Fund

KEY PROGRAM SERVICES

Affordable Housing Set-Aside Projects

- Provide planning, analysis and recommendations for potential affordable housing projects
- Initiate an affordable housing project within the Redevelopment Project Area

AFFORDABLE HOUSING PROGRAM STAFFING

Full Time Equivalent (FTE)

<i>Town Staff</i>	Authorized Positions	2003/04 Funded	2004/05 Funded	2005/06 Funded	2006/07 Funded	2007/08 Funded
RDA Manager	-	0.20	0.20	-	-	-
Economic Vitality Manager	0.05	-	-	0.05	0.05	0.05
Community Development Dir.	0.10		-	0.10	0.10	0.10
Asst. Community Dev. Dir.	0.20		0.10	0.20	0.20	0.20
Associate Planner	0.10	-	-	0.10	0.10	0.10
Administrative Analyst	-	-	-	-	-	-
Community Services Director	0.05	-	-	0.05	0.05	0.05
Total Affordable Housing FTEs	0.50	0.20	0.30	0.50	0.50	0.50

LOS GATOS REDEVELOPMENT AGENCY
Affordable Housing Fund

Performance Objectives and Measures	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Estimated	2007/08 Budget
1. <i>Works in coordination with developers in the planning and programming of affordable housing projects.</i>					
a. Percentage of affordable housing developers that are satisfied with RDA assistance.					<i>Under Development</i>

Activity and Workload Highlights	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Estimated	2007/08 Budget
1. Number of new affordable housing units produced, under construction, or in the planning process as a result of RDA.			15	15	15

